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The Public Service Commission State of South Carolina

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August 16, 2006

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Return Receipt Requested

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Wendy B. Cartledge, Esquire
Office of Regulatory Staff
P.O. Box 11263
Columbia, South Carolina 29211

Re: Zeus Telecommunications, LLC
Docket No. 2006-148-C

Dear Jack, Ben, and Wendy:

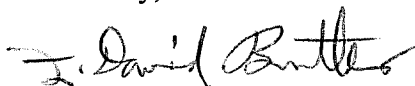
Enclosed please find a proposed order in the above-captioned docket, which is being delivered to you pursuant to the requirements of 26 S.C. Code Ann. Regs. 103-865(C). As parties of record in this case, you have ten (10) days from your receipt of this proposed order to file exceptions, present briefs, and/or file written requests for oral argument to the Commission, if you should desire to do so. If none of these are received by me within 10 days of your receipt of the proposed order, I will request that the Commission issue its order in this case based upon the record of the formal proceeding and the proposed order.

Although the enclosed proposed order recommends to the Commission that the requested Certificate be approved, it is my opinion that the burden of proof was only barely satisfied. At first, the witness in the case denied any nexus with South Carolina. It was only after I inquired that any attempt was made to connect the requested service with this State. Second, the written Application is actually for resold interexchange end user service, although the testimony was that the Company wanted to primarily be a carrier's carrier. The carrier's carrier function is also barely mentioned in the prefiled testimony. Further, no balance sheet was furnished, although the witness questioned why one was not contained in the materials before me. (Further, a test of the video conference function had been promised earlier, but no attempt was made to contact us for testing purposes until the hearing was already over, and the video conferencing had been successfully utilized.)

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Please be advised that the Applicant has the burden of proof, even when a Settlement Agreement has been reached. This burden was, in my opinion, only minimally satisfied in the present case. Should an identical case be presented in the future, there are no guarantees that I will inquire as I did in the present case, nor are there any guarantees that I will recommend that a Certificate be approved by the Commission under similar circumstances. Of course, I reserve the right to deny a recommendation to the Commission for the granting of a Certificate under any circumstances when I believe that the burden of proof was not met. Further, when the agents of an Applicant fail to pre-test their video conferencing capability, I reserve the right to continue the hearing and reverse my granting of the Motion to hold the hearing by videoconference.

Sincerely,

A handwritten signature in black ink, appearing to read "F. David Butler". The signature is fluid and cursive, with a long horizontal stroke at the end.

F. David Butler
Hearing Examiner

FDB/hha
Enclosure

cc: Joseph Melchers, Chief Legal Advisor
Douglas Pratt, Office of Special Assistants

IN RE: Application of Zeus Telecommunications,) ORDER GRANTING
LLC for a Certificate of Public Convenience) CERTIFICATE AND
and Necessity to Provide Resold Intrastate) WAIVER OF CERTAIN
Interexchange Telecommunications Services) REGULATIONS -
Within the State of South Carolina) PROPOSED ORDER OF
) THE HEARING
) EXAMINER

The Commission's Docketing Department instructed Zeus to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the Application of Zeus and of the manner and time in which to file the appropriate

pleadings for participation in the proceeding. Zeus complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene or Protests were filed.

Subsequently, Zeus and the Office of Regulatory Staff (ORS) (an automatic party to the proceeding) filed a Settlement Agreement. The Settlement Agreement is attached hereto as Order Exhibit 1. A hearing was convened on August 14, 2006, at 10:30 a.m. in the Commission's Law Library, Columbia, South Carolina, before David Butler, Hearing Examiner. Zeus was represented by John J. Pringle, Jr., Esquire, and Benjamin Traywick, Esquire. The Office of Regulatory Staff (ORS) was represented by Wendy B. Cartledge, Esquire.

Thomas H. Ong, Manager of the Company, appeared by video conferencing and testified in support of the Application. The record reveals that Zeus is a Limited Liability Company, organized under the laws of Texas, but authorized to do business in South Carolina. According to Mr. Ong, the Company seeks authority both as a carrier's carrier and as a reseller of interexchange services. Mr. Ong explained the Company's request for authority, and the record further reveals the Company's services, operations, and marketing procedures.

Mr. Ong also discussed Zeus' technical, financial, and managerial resources to provide the services for which it seeks authority. Mr. Ong offered that Zeus possesses sufficient financial resources to support its operations in South Carolina.

With regard to management and technical capabilities, the Company has not been denied a license in any of the states in which it has applied, nor has it had a license

revoked in any jurisdiction. The Company's Application and Mr. Ong's testimony both evidence that Zeus' management team has extensive experience in telecommunications, information technology, regulatory matters, and accounting and finance. Mr. Ong also testified that Zeus will operate in accordance with Commission rules, regulations, guidelines, and Commission Orders.

Mr. Zeus offered that approval of Zeus' Application would serve the public interest by increasing the level of competition in South Carolina. On behalf of the Company, Mr. Ong requests an exemption from record keeping policies that require maintenance of financial records in conformance with the Uniform System of Accounts (USOA). Zeus maintains its books in accordance with Generally Accepted Accounting Principles (GAAP). In addition, the Company requests that it not be required to publish local exchange directories, and therefore requests waiver of 26 S.C. Code Ann. Regs. 103-631. Also, Zeus seeks a waiver of 26 S.C. Code Ann. Regs. 103-612.2.3, as well as a finding that the requirement of a map showing the Company's certificated area is not needed. Lastly, Zeus seeks a waiver of 26 S.C. Code Ann. Regs. 103-610, which requires that the Company's records be kept within the State of South Carolina. Such a waiver is desirable to the Company, according to Mr. Ong, since the Company and its books and records are located in Texas.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Zeus is a Limited Liability Company organized under the laws of the State of Texas, but authorized to do business in South Carolina.
2. Zeus desires to operate as a carrier's carrier and as a reseller of interexchange services within the State of South Carolina.
3. We find that Zeus possesses the managerial experience and capability to operate as a carrier's carrier, and as a provider, through resale, of interexchange services in South Carolina.
4. We find, based on the financial statements submitted by the Company, and the testimony in the case, that Zeus possesses sufficient financial resources to provide the services as described in its Application.
5. We find that the issuance of a Certificate of Public Convenience and Necessity to Zeus to operate as a carrier's carrier and as a reseller of interexchange telecommunications services in South Carolina would be in the best interest of the citizens of South Carolina by increasing the level of competition in South Carolina, by providing an alternative source for telecommunications services, and by creating incentives for lower prices, more innovative services, and more responsive customer service.
6. We believe that exemption from the policies that would require the Company to keep its records under the USOA is reasonable. Additionally we find that waivers of 26 S.C. Code Ann. Regs. 103-631, 103-612.2.3, and 103-610 are reasonable and in the public interest.

7. The Company has the managerial, technical, and financial resources to provide the services as described in its Application.

8. The Commission finds that the Company will support universally available telephone service at affordable rates.

CONCLUSIONS OF LAW

1. The Commission concludes that Zeus possesses the managerial, technical, and financial resources to provide the telecommunications services as described in its Application and in its testimony.

2. The Commission concludes that Zeus will participate in the support of universally available telephone service at affordable rates to the extent that Zeus may be required to do so by the Commission.

3. The Commission concludes that Zeus will provide services which will meet the service standards of the Commission.

4. The Commission concludes that approval of Zeus' Application to provide intrastate telecommunications services within South Carolina will serve the public interest by enhancing competition in the State of South Carolina by offering additional service offerings to South Carolina's consumers and by providing for efficient use of existing telecommunications resources.

5. The Commission concludes that the issuance of the authority to provide carrier's carrier and intrastate interexchange telecommunications services as requested by Zeus and as set forth in its Application and Mr. Ong's testimony is in the best interests of the citizens of the State of South Carolina.

7. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to Zeus to provide carrier's carrier and resold intrastate interexchange telecommunications services.

8. The Commission adopts a rate design for Zeus for its interexchange services which includes maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. *In Re: Application of GTE Sprint Communications Corporation, etc.*, Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984). The Company's carrier's carrier services shall be provided by individual contract.

9. Zeus shall not adjust its interexchange rates below the approved maximum level without notice to the Commission and to the public. Zeus shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. *In Re: Application of GTE Sprint Communications Corporation, etc.*, Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp.2005).

10. We grant exemption from the policies requiring the use of USOA. In addition, we grant waivers of 26 S.C. Code Ann. Regs. 103-631, 103-612.2.3, and 103-610, which require publication of a local telephone directory, the filing of maps, and the maintenance of Company records within South Carolina, respectively.

11. The Settlement Agreement between the parties should be approved.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. A Certificate of Public Convenience and Necessity should be granted to Zeus to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through resale of intrastate Wide Area Telecommunications Services (“WATS”), Message Telecommunications Service (“MTS”), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission, within the State of South Carolina. The Company is also specifically authorized to provide resold inbound and outbound interexchange telecommunications services and operator-assisted services to its customers, as well as carrier’s carrier service.

2. The Company’s rate designs for its products shall conform to those designs described in Conclusions of Law above.

3. If it has not already done so by the date of issuance of this Order, Zeus shall file its tariff and an accompanying price list for any applicable rates within thirty (30) days of receipt of this Order. The tariff shall be consistent with the findings of this Order and shall be consistent with the Commission’s Rules and Regulations.

4. Zeus is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

5. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

6. Zeus shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Zeus changes underlying carriers, it shall notify the Commission in writing.

7. With regard to the origination and termination of toll calls within the same LATA, Zeus shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, Zeus shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

8. Zeus shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Zeus shall keep financial records on an intrastate basis for South Carolina to comply with the

annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at www.psc.sc.gov/reference/forms.asp or at the ORS's website at www.regulatorystaff.sc.gov. The title of this form is "Telecommunications Company Annual Report." This form shall be utilized by the Company to file annual financial information with the Commission and ORS and shall be filed no later than **April 1st**.

Commission gross receipts forms are due to be filed with the Commission and ORS no later than **August 31st** of each year. The proper form for filing gross receipts information can be found at the ORS website at www.regulatorystaff.sc.gov, and the appropriate form is entitled "Gross Receipts Form."

Each telecommunications company certified in South Carolina is required to file annually with the ORS the Intrastate Universal Service Fund ("USF") worksheet, which may be found on the ORS's website at www.regulatorystaff.sc.gov. This worksheet provides ORS information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than **August 15th** with the Commission and ORS.

9. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

Zeus shall file the names, addresses, and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The “Authorized Utility Representative Information” form can be found at the Commission’s website at www.psc.sc.gov/reference/forms.asp; this form shall be utilized for the provision of this information to the Commission and ORS. Further, the Company shall promptly notify the Commission and ORS in writing if the representatives are replaced.

10. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

11. Zeus requests that it be exempt from record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts. The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, Zeus maintains its book of accounts in accordance with Generally Accepted Accounting Principles. GAAP is used extensively by interexchange carriers and other providers. Accordingly, Zeus requests an exemption from the USOA requirements. We grant the Company’s request for the reasons stated above. Further, we grant the waiver of the regulations as requested by the Company.

12. The Settlement Agreement between the parties is hereby approved.

13. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

ATTEST:

C. Robert Moseley, Vice Chairman

(SEAL)